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In the Supreme Court of the United States

OCTOBER TERM, 1943.

No. 266.

CARTER H. HARRISON,
Collector of Internal Revenue for the
First District of Illinois,
Petitioner,

vs.

DURKEE FAMOUS FOODS, INC.,
a corporation,
Respondent.

ON PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES CIRCUIT COURT OF APPEALS FOR THE SEVENTH CIRCUIT.

MEMORANDUM FOR RESPONDENT.

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MEMORANDUM FOR RESPONDENT.

OPINIONS BELOW

The opinion of the United States District Court for the Northern District of Illinois (R. 426-445) is reported in 46 F. Supp. 642. The opinion of the Circuit Court of Appeals (R. 471-486) is reported in 136 F. (2d) 303.

JURISDICTION

The judgment of the Circuit Court of Appeals was entered on June 1, 1943. (R. 486-487.) Upon motion of respondent it was amended by the Circuit Court of Appeals on August 12, 1943. Jurisdiction of this Court is invoked under § 240(a) of the Judicial Code, as amended. 28 U. S. C., § 347(a).

QUESTION PRESENTED

Whether the tax imposed by § 602½ of the Revenue Act of 1934 upon the "first domestic processing" of certain oils, applies to the first domestic processing after the effective date of the Act of oils which have received one or more domestic processings prior to that date.

STATUTE AND REGULATION INVOLVED

The statute and regulation are quoted in the appendix.

STATEMENT

Respondent brought two actions in the United States District Court for the Northern District of Illinois, Eastern Division, for the recovery of processing taxes allegedly illegally collected by petitioner. Prior to trial in the District Court the actions were consolidated (R. 49), and a single judgment was rendered. (R. 445-447.) In its consolidated form the case involves four separate claims of cross-petitioner, only one of which is involved in the petition of petitioner.

This claim relates to taxes paid by cross-petitioner in respect of oil which had been subjected to one or more processings before the effective date of the statute. (R. 3-6.) A stipulation of counsel for petitioner and respondent fixes the amount of tax involved in this claim at $76,899.09 (R. 296), and the District Court entered judgment for respondent for this amount and interest. (R. 446-447.) This part of the judgment was affirmed by the Circuit Court of Appeals, one judge dissenting.

One of the other claims of respondent was successful in the District Court but the Circuit Court of Appeals held against respondent on all of its claims except the one involved in this petition. Respondent intends to file a cross-petition for certiorari from that part of the judgment of the Circuit Court of Appeals which is adverse to it.

ARGUMENT

Respondent concedes that the part of the judgment involved in this petition for writ of certiorari is in conflict with the decision of the Circuit Court of Appeals for the Third Circuit in *Colgate-Palmolive-Peet Co. v. United States*, 130 F. (2d) 913, with respect to which this Court granted the petition of the Colgate Company for a writ of certiorari (Nos. 38, 39, October Term 1943). In consequence, respondent does not oppose this petition for a writ of certiorari.

Respectfully submitted,

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APPENDIX.

Revenue Act of 1934, c. 277, 48 Stat. 680:

"§ 602½. Processing Tax on Certain Oils.

(a) There is hereby imposed upon the first domestic processing of coconut oil, sesame oil, palm oil, palm kernal[1] oil, or sunflower oil, or of any combination or mixture containing a substantial quantity of any one or more of such oils with respect to any of which oils there has been no previous first domestic processing, a tax of 3 cents per pound, to be paid by the processor. There is hereby imposed (in addition to the tax imposed by the preceding sentence) a tax of 2 cents per pound, to be paid by the processor, upon the first domestic processing of coconut oil or of any combination or mixture containing a substantial quantity of coconut oil with respect to which oil there has been no previous first domestic processing, except that the tax imposed by this sentence shall not apply when it is established, in accordance with regulations prescribed by the Commissioner with the approval of the Secretary, that such coconut oil (whether or not contained in such a combination or mixture), (A) is wholly the production of the Philippine Islands or any other possession of the United States, or (B) was produced wholly from materials the growth or production of the Philippine Islands or any other possession of the United States, or (C) was brought into the United States on or before the 30th day after the date of the enactment of this Act or produced from materials brought into the United States on or before the 30th day after the date of enactment of this Act, or (D) was purchased under a bona fide contract entered into prior to April 26, 1934, or produced from materials purchased under a bona fide contract entered into prior to April 26, 1934. All taxes collected under this section with respect to coco-

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[1] So in original.

nut oil wholly of Philippine production or produced from materials wholly of Philippine growth or production, shall be held as a separate fund and paid to the Treasury of the Philippine Islands, but if at any time the Philippine Government provides by any law for any subsidy to be paid to the producers of copra, coconut oil, or allied products, no further payments to the Philippine Treasury shall be made under this subsection. For the purposes of this section the term 'first domestic processing' means the first use in the United States, in the manufacture or production of an article intended for sale, of the article with respect to which the tax is imposed, but does not include the use of palm oil in the manufacture of tin plate."

Treasury Regulations 48 (1934 Ed.):

ART. 1 (as amended by T. D. 4695, XV-2 Cum. Bull. 324 (1936)). Definitions.—When used in these regulations, the term—

• • •

(n) *First domestic processing* means the first use in the United States on or after the effective date of the Act. At all times in these regulations, the term *processing* or *first domestic processing* will be deemed to be synonymous with "use" or "first use in the United States on or after the effective date," respectively, and will include the meanings implied in the latter terms by subdivision (m) above.